



CALIFORNIA DAIRY REVIEW

Volume 1 Issue 9

Monthly

August 1997

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
Homepage Address: <http://www.cdfa.ca.gov/marketing>

LAWSUITS FILED CHALLENGING POOL PLAN CHANGES

Two lawsuits were filed in the United States District Court challenging the changes to the Plan regarding the treatment of "other source milk". These changes went into effect on July 1, 1997. The first suit was filed by attorneys Charles English and Rebecca Cenicerros representing four Nevada dairy farms (Hillside Dairy Inc., A & A Dairy, L & S Dairy, Inc., and Milky Way Farm, Inc.). The second suit was filed by attorneys Brian Leighton and John Vetne representing three Nevada dairy farms (Ponderosa Dairy, Pahrump Dairy, and Moapa Valley Dairy), two Arizona dairy farms (Lueck Dairies and D. Kuiper Dairy), and one California milk processor (Rockview Dairies, Inc.). The plaintiffs in these two lawsuits seek to permanently prohibit the Department from enforcing the July 1 Pool Plan changes.

A response to each lawsuit has been filed by the Department, along with a motion to dismiss certain aspects of the two lawsuits. The two suits have been consolidated and oral arguments were heard on July 31, 1997 in the Federal District Court in Sacramento.

We expect a ruling from the court by mid-August. As soon as the court renders its decision, we will provide immediate notification to all interested parties.

CALIFORNIA CONTINUES TO LEAD THE NATION IN MILK PRODUCTION

California's total milk production for 1996 was approximately 25.8 billion pounds. CDFA Secretary Ann M. Veneman stated "California is proud once again to lead the nation in dairy production. Once again, milk and cream are the state's number one agricultural products, which underscores the important role the dairy industry plays in fueling the state's economy."

CLASS 2, 3, 4a AND 4b HEARING UPDATE

In response to the Department's September 3 public hearing Notice, six valid alternative proposals to the Class 2, 3, 4a and 4b pricing formulas were received. The proposals were received from:

Alliance of Western Milk Producers, California Dairy Campaign, California Gold, Dairy Institute of California, Milk Producers Council, and Western United Dairymen.

If you would like copies of the submitted proposals, please contact the Dairy Marketing Branch at (916) 654-1456. You may also access them through the Department's homepage at the above internet address.

A public workshop for the hearing will be held in Sacramento on August 12, 1997 beginning at 9:30 a.m. The workshop will be held in Room 102 in the Department's headquarters at 1220 N Street in Sacramento.

IN THIS ISSUE

- Vesicular Stomatitis Update2
- Underground Storage Tanks2
- Why Cost of Production.....2
- Alfalfa Hay Summary.....3
- Feed Quality3
- Minimum Class Prices.....3
- This - N - That4

VESICULAR STOMATITIS UPDATE

By Larry Allen, DVM, PhD, Acting Chief
Animal Health Branch, Division of Animal Industry

On July 9, Arizona released its one and only case of vesicular stomatitis (VS) from quarantine. Provided that no more cases of VS are found in Arizona, the restrictions on Arizona livestock entering California (health certificate with the additional statement) will be rescinded on September 7, 1997.

New Mexico, however, has reported 35 positive animals in a total of 47 investigations. In Colorado, a total of 18 investigations have been conducted from which 3 positive animals were identified on 1 premises in La Plata County and 2 premises in Pueblo County.

As a result of the VS outbreak, entry requirements for livestock being shipped from VS-infected or from states bordering infected states, into other states and foreign countries vary considerably and are subject to sudden change. Before shipping livestock, have your veterinarian contact the animal health authorities (State Veterinarian's Office) in the destination state or country to find out the exact requirements for entry.

For additional information, please contact the Animal Health Branch at (916) 654-1447.

UNDERGROUND STORAGE TANKS

California's Underground Storage Tank (UST) Regulations require that all UST's be removed, replaced or upgraded by December 22, 1998. This deadline will not be extended, and the work must be finished by the deadline. You must notify your local agency before work begins on your UST. The local agency may be either city or county offices, the same agency that issued your UST operating permit.

The California Trade and Commerce Agency, Office of Small Business, offers low interest loans to small businesses with UST's. The program is called Repair/Replace Underground Storage Tank Loan Program" (RUST). They can be reached at (916) 323-9879.

For additional information please contact the UST Program, Division of Clean Water Programs, P.O. Box 944212, Sacramento, CA 94244-2120, phone (800) 999-8844. Information is also available at <http://www.swrcb.ca.gov/links.htm>.

WHY COLLECTING PRODUCTION COST INFORMATION IS RELEVANT

As we progress toward a market oriented economy, it becomes more evident that cost of production becomes increasingly relevant in a global economy. This fact is especially true in the dairy industry where minimum prices paid for bulk milk are regulated. Listed below are several reasons for CDFA's continued collection of cost of production information:

- CDFA is required by Section 62062 of the Food and Agricultural Code to consider the reasonableness and soundness of market milk prices in relation to the cost of producing and marketing market milk.
- While not directly in the formula, the cost of production is a pertinent consideration during hearing determinations regarding market milk.
- Cost of production information is very relevant in a market oriented economy. It is used by producers as a management tool and by other agencies throughout the nation as a comparison.
- With the inception of our planned database, we will be able to tailor requests to meet specific data so a producer can compare their dairy to like dairies throughout the county, area or state.
- Cost of Production staff is currently developing a cost comparison worksheet that will more closely reflect actual costs incurred by producers.

In 1994, the Class 1 pricing formula was changed to no longer directly reflect the cost of production. It is important to understand that cost of production is considered each time the Secretary renders a decision on the minimum price of market milk. One may argue the merits of a pricing decision rendered by the Secretary, but one must also consider the results of a decision without the benefit of unbiased cost of production information.

In addition to providing accurate cost of production data to producers, the Dairy Marketing Branch is continuously searching for ways to improve our service to California's dairy industry. If you have any suggestions for new or improved services to producers, please contact Greg Lawley at (916) 654-0747 or e-mail Greg at glawley@cdfa.ca.gov.

CALIFORNIA ALFALFA HAY JULY SUMMARY

Demand for alfalfa hay was moderate to good throughout the state on light to moderate offerings. Some hay producers were taking a "wait and see" approach to the hay market. There was good movement from out of state accounts into the Northern California marketing areas.

	June 1997	July 1997
Tons Sold 1/	116,550	151,625
Tons Delivered 2/	28,344	39,740

1/ For current or future delivery.

2/ Contracted or current sales.

Shown below are Premium quality alfalfa hay prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA.

	7/96 1/	7/11/97	7/18/97	7/25/97
Petaluma	\$147	\$165-170	\$152-170	\$155-170
North Valley 2/	\$143	\$153-170	\$150-167	\$155-168
South Valley 3/	\$151	\$150-173	\$150-171	\$140-169
Chino Valley	\$131	\$160-164	\$158-170	\$150-165

1/ July 1996 average of the weekly price quotations.

2/ North Valley is Escalon, Modesto and Turlock areas.

3/ South Valley is Tulare, Visalia, and Hanford areas.

For current pricing information and reports on the FOB market, you may subscribe to the California Alfalfa Hay Weekly Summary. Subscriptions are \$85 per year for a mailed report, and \$130 per year for faxed reports. Subscriptions are available from the USDA-AMS Livestock Market News Service 988 Juniper Street, Moses Lake, WA 98837, (509) 765-3611. Weekly reports are available at <http://www.ams.usda.gov/mncs>.

JUNE MILK PRODUCTION

California's June milk production on all farms and ranches totaled 2.3 billion pounds, up 8.4 percent from June 1996. Year to date production is up 6.7 percent. USDA's preliminary total United States production estimate is 11.4 billion pounds, up 3.9 percent from June 1996. Year to date U.S. production is up 1.3 percent.

NEW FEDERAL REGULATION PROHIBITING THE FEEDING OF MAMMALIAN PROTEIN TO RUMINANTS

By Steve Wong, Chief
Agricultural Commodities & Regulatory Services Branch
Division of Inspection Services

Recently, the Federal Food and Drug Administration adopted regulations banning the feeding of mammalian proteins (such as meat and bone meal) to ruminants. These regulations, effective August 4, 1997, were adopted to protect the public health by preventing the establishment of transmissible spongiform encephalopathies (TSE).

Animal feeds manufactured prior to August 4, 1997 may be used until those supplies are exhausted, but may not be used after October 3, 1997. Dairy operators should contact their feed suppliers to assure their feeds comply with the federal regulations prohibiting the use of mammalian proteins in ruminant feed. Ruminant feed containing prohibited material after the above date are subject to regulatory action as the feed is deemed adulterated. Prohibited material does not include pure swine or horse protein, or blood and blood products.

If producers have concerns about the quality of their feed or other feed related questions, the Agricultural Commodities and Regulatory Services Branch can be reached at (916) 654-0574.

MINIMUM CLASS PRICES

Hundredweight prices for the months listed

CLASS	JUNE	JULY	AUG/SEP
1	\$13.29	\$13.29	\$12.56
2	\$12.58	\$12.58	\$12.70
3	\$12.48	\$12.48	\$12.60
4a	\$12.03	\$11.89	
4b	\$ 9.90	\$10.37	

JULY QUOTA TRANSFER SUMMARY

There were ten quota sales in July, averaging \$301 per pound of SNF (without cows), with an average ratio of 2.47. This compares to a total of 20 quota sales, averaging \$311 per pound of SNF (without cows), with an average ratio of 2.52 for July 1996.

HUNDREDWEIGHT POOL PRICES

YEAR	MONTH	QUOTA	OVERBASE
1995	July	12.42	10.72
	August	12.65	10.95
	September	12.93	11.23
	October	13.45	11.75
	November	13.62	11.92
	December	13.50	11.80
1996	January	13.49	11.79
	February	13.21	11.51
	March	13.15	11.45
	April	13.29	11.59
	May	13.87	12.17
	June	14.67	12.97
	July	15.10	13.40
	August	16.49	14.79
	September	16.76	15.06
	October	16.57	14.87
	November	14.42	12.72
	December	13.78	12.09
1997	January	13.94	12.24
	February	13.49	11.79
	March	13.59	11.89
	April	13.30	11.60
	May	12.74	11.04
	June	12.64	10.94

THIS - N - THAT

- REMINDER: The hearing on Class 2, 3, 4a and 4b pricing will be held on September 3, 1997 beginning at 9:00 a.m. at the Fresno Airport Piccadilly Inn, 5115 East McKinley.
- Do you have access to the internet? Check out our homepage at <http://www.cdfa.ca.gov/marketing>. While there you can find the price letters for the last few months, economic analysis done by the Department for the Costa Roundtable discussion, the results of the last hearing, this newsletter and other interesting items about the Department.

Please direct any comments or suggestions for future newsletters to Candace Gates at (916) 654-0905 or e-mail Candace at cgates@cdfa.ca.gov.

The California Dairy Review is published monthly by the California Department of Food and Agriculture, Dairy Marketing Branch. To subscribe call (916) 654-0905.

California Department of Food and Agriculture

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